

Key events in EMEA and Latam next week

The sharp drop in oil prices is adding downward pressure to inflation, and CPI figures from Romania, Czech and Hungary will likely reflect that next week



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✓ Romania: CPI to fall sharply

We expect November CPI to drop by 0.7 percentage points to 3.6% year-on-year. On top of large statistical base effects, the sharp drop in oil prices is adding downward pressure. Provided there are no major supply shocks, inflation is likely to end the year within the National Bank of Romania's (NBR's) target band of 1.5-3.5%.

The NBR is comfortable with inflation overshooting the mid-point as long as it stays within the band, citing the [Balassa-Samuelson effect](#). Our call for three key rate hikes of 25 basis points in 2019 looks a bit stretched for a structurally dovish NBR Board. Less transparent liquidity management could be deployed to fend-off potential currency weakness as the FX pass-through is too strong for the central bank to ignore. Still, given idiosyncratic vulnerabilities stemming from the divergent twin deficit story and remote prospects for fiscal consolidation, we still see two hikes next year from the NBR.

✓ Czech: Inflation may fall below 2% target

While the unemployment rate should remain at a record low, CPI will decline temporarily below the Czech National Bank's (CNB's) 2% target, due to the 0.5% month-on-month decline in fuel prices and a surprising 1% month-on-month fall in food prices (this is preliminary data from the Czech Statistical Office). However, we expect this to be a one-off event and inflation will be back on target next month and may even move above target at the beginning of 2019. As such, this is no game changer for the CNB monetary outlook.

✓ Turkey: A hawkish hold

Policy reactions have helped financial markets to recover, but financial volatility and consequent policy tightening to restore confidence have already translated into a faster adjustment process. We forecast 3Q18 GDP growth to be 2.8% year-on-year, while 2018 growth could be slightly above 3.0% - though with risks to the downside.

Regarding the Monetary Policy Committee (MPC) meeting, we expect the Central Bank of Turkey (CBT) to remain on hold this month and keep the policy rate at 24%. It's likely the bank will maintain a hawkish bias, with a promise to deliver policy tightening if needed. This is on the back of continuing inflationary challenges, the risk of the Turkish lira coming under pressure again, low reserves and currently fragile capital flows.

✓ Hungary: Crucial CPI release

The November CPI reading will be a key data point in Hungary next week and could prove crucial ahead of the National Bank of Hungary's (NBH's) next inflation report. We see headline inflation dropping significantly, by 0.5 percentage points to 3.3% year-on-year on the back of fuel and food prices, as well as seasonal factors. If our forecast is right, we expect the NBH rate-setting to be a dovish event for the markets.

✓ Russia: Rates will likely stay on hold but hike can't be ruled out

The Central Bank of Russia (CBR) will decide between keeping its key rate on hold or raising rates by 25 basis points. Our base case scenario is for the bank to leave rates unchanged at 7.5%, as November CPI was in line with the 3.8% year-on-year consensus and below our more pessimistic 3.9-4.0% year-on-year view. The overall external backdrop for Russia has not deteriorated either over the last few weeks. We also do not see the upcoming return of FX purchases on the local market as a strong enough threat to the rouble that would require higher interest rates – as the current account surplus remains sufficient.

At the same time, there are still risks of a hike related to local CPI growth and external market conditions. First, should the local weekly CPI (released every Wednesday) remain at 0.2% week-on-week, or accelerate, then full-year inflation will reach or even exceed the upper bound of the CBR's 3.8-4.2% guidance. Second, a deterioration in external factors, related to oil/emerging market risk/sanctions cannot be ruled out completely.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|------------------------------|------|----------------------------------------------------------|----------|--------|-----------|
| Monday 10 December | | | | | |
| Turkey | 0700 | 3Q GDP (YoY%) | 2.7 | - | 5.2 |
| Czech Rep | 0800 | Nov CPI (MoM/YoY%) | -0.3/1.8 | -/- | 0.4/2.2 |
| | 0800 | Nov Unemployment rate (%) | 2.8 | - | 2.8 |
| Ukraine | - | Nov CPI (MoM/YoY%) | -/- | -/- | 1.7/9.5 |
| Romania | 0700 | Oct Trade balance (€m) | - | - | -970.9 |
| Bulgaria | 0900 | Oct Industrial production (MoM/YoY%) | -/- | -/- | -1.2/-0.8 |
| | 0900 | Oct Retail sales (MoM/YoY%) | -/- | -/- | 0.3/4.6 |
| Israel | - | Bank of Israel publishes minutes of rate meeting | | | |
| Tuesday 11 December | | | | | |
| Turkey | 0700 | Oct C/A (US\$m) | 2.5 | - | 1.8 |
| Hungary | 0800 | Nov CPI (MoM/YoY%) | -0.1/3.3 | -/- | 0.5/3.8 |
| Romania | 0700 | Oct Avg. net wages (YoY%) | - | - | 13.1 |
| | 0700 | Nov CPI (MoM/YoY%) | 0.1/3.6 | -/- | 0.5/4.3 |
| Kazakhstan | - | Nov International reserves (US\$bn) | - | - | 29.0 |
| South Africa | 1100 | Oct Manufacturing production (MoM%) | - | - | 0.1 |
| Wednesday 12 December | | | | | |
| Russia | 1300 | Oct Trade balance (US\$bn) | - | 18.0 | 18.5 |
| | - | 3Q P GDP (YoY%) | - | 1.3 | 1.3 |
| Romania | 0700 | Oct Industrial production (MoM/YoY%) | -0.5/3.2 | -/- | -1.6/4.0 |
| | 0700 | Oct Industrial sales (MoM/YoY%) | -/- | -/- | 8.1/7.8 |
| Bulgaria | 0900 | Nov CPI (MoM/YoY%) | -0.2/3.0 | -/- | 0.7/3.7 |
| Serbia | 1100 | Nov CPI (MoM/YoY%) | -/- | -/- | 0.3/2.2 |
| South Africa | 0800 | Nov CPI (MoM/YoY%) | -/- | -/- | 0.5/5.1 |
| | 0800 | Nov Core CPI (MoM%, NSA) | - | - | 0.1 |
| | 0930 | Nov SACCI Business confidence | - | - | 95.8 |
| | 1100 | Oct Retail Sales (MoM/YoY%) | -/- | -/- | -0.6/0.7 |
| Brazil | 2020 | Selic Rate | 6.5 | 6.5 | 6.5 |
| Mexico | 1400 | Oct Industrial Production (YoY%) | 2.2 | - | 1.8 |
| Thursday 13 December | | | | | |
| Turkey | 1100 | Benchmark repurchase rate | 24.0 | - | 24.0 |
| Ukraine | 1200 | Key rate (%) | - | - | 18.0 |
| South Africa | 0930 | Nov PPI (MoM/YoY%) | -/- | -/- | 1.4/6.9 |
| Israel | 1100 | Nov Trade balance (US\$m) | - | - | -2365.7 |
| Brazil | 1100 | Oct Retail sales (YoY%) | 3.5 | - | 0.1 |
| Friday 14 December | | | | | |
| Russia | 1030 | Key rate (%) | 7.5 | 7.5 | 7.5 |
| | 1200 | Bank of Russia Governor Nabiullina holds news conference | | | |
| Turkey | - | Turkey sovereign debt to be rated by Fitch | | | |
| Poland | 0900 | Nov F CPI (MoM/YoY%) | -/- | -/- | 0.0/1.2 |
| | 1300 | Oct C/A (€mn) | - | - | -547.0 |
| | 1300 | Oct Trade balance (€mn) | - | - | -449.0 |
| | 1300 | Oct Exports (€) | - | - | 17683.0 |
| | 1300 | Oct Imports (€) | - | - | 18132.0 |
| Czech Rep | 0900 | Oct C/A (CZKbn) | 11.0 | - | -3.0 |
| Romania | - | Oct C/A YTD (€mn) | - | - | -6619.0 |
| Kazakhstan | - | Nov Industrial production (YoY%) | - | - | 4.2 |
| Serbia | - | Serbia sovereign debt to be rated by S&P | | | |
| Israel | 1200 | Nov CPI (MoM/YoY%) | -/- | -/- | 0.3/1.2 |

Source: ING, Bloomberg

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